

LIVONIA HOUSING COMMISSION
LIVONIA, MICHIGAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
AND
REPORTS ON COMPLIANCE AND
ON INTERNAL CONTROL

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Livonia Housing Commission	County Wayne
Fiscal Year End December 31, 2006	Opinion Date March 21, 2007	Date Audit Report Submitted to State 5-21-2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Sailor, Khan & Co., LLC		Telephone Number 314-726-3308	
Street Address P.O. Box 16180		City St. Louis	State MO
		Zip 63105	
Authorizing CPA Signature <i>Shah I. Khan</i>	Printed Name Shah I. Khan, C.P.A.		License Number 1102001772

LIVONIA HOUSING COMMISSION
Livonia, Michigan

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Sailor

Certified Public Accountants

Khan & Co. LLC

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Livonia Housing Commission
Livonia, Michigan

We have audited the accompanying basic financial statements of the Livonia Housing Commission, Michigan, (Commission) and its aggregated discretely presented component unit as of and for the year ended December 31, 2006, as listed in the table of contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

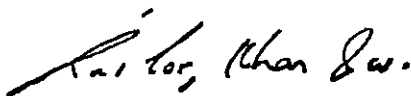
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Livonia Housing Commission, Michigan, and its aggregated discretely presented component unit, as of December 31, 2006, and the changes in its financial position and its cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2007, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages ii to viii is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the remaining accompanying supplemental information including the Financial Data Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Sailor, Khan & Co. LLC
March 21, 2007

Livonia Housing Commission

Management's Discussion and Analysis (MD&A) December 31, 2006 (Unaudited)

As management of the Livonia Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Livonia Housing Commission's financial activities for the fiscal year ended December 31, 2006. This discussion and analysis letter of the Livonia Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" – activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transaction has actually taken place.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund financial statements because the Commission only has proprietary funds.

Required Financial Statements

The Statement of Net Assets includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Commissions to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

**Livonia Housing Commission
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

LIVONIA HOUSING COMMISSION PROGRAMS:

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital Needs. The Housing Commission also has the ability to use up to 20% of these funds, if need be, to supplement Operating Subsidies. This program is the primary funding source for physical improvements to its properties.

Section 8 Housing Choice Voucher Program: Under this program, the Housing Commission administers contracts with independent landlords to provide housing for low-income households. These units are not owned by the Housing Commission. The Housing Commission subsidizes the family's rent via a "Housing Assistance Payment" made directly to the landlord. HUD provides subsidy to the Housing Commission to enable the Housing Commission to set the rental rates at 30% of a participant's income.

Section 8 New Construction Program: Under this program, the Housing Commission issued bonds many years ago which financed the construction of a low-income elderly apartment building. The building is owned and managed by third parties. The Housing Commission has an Annual Contributions Contract with HUD to provide Housing Assistance Payments for the tenants that live in this project and acts as the contract administrator for the program to ensure conformance with HUD regulations (4350.3) and housing quality standards.

PRIMARY GOVERNMENT

FINANCIAL HIGHLIGHTS

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of December 31, 2006 were \$5,607,344. The net assets increased by \$310,448, an increase of 5.9% over the prior year.

Revenues and contributions for the Commission were \$7,903,281 for the year ended December 31, 2006. This was an increase of \$27,936 or 0.4% from the prior year.

Expenses for the Commission were \$7,598,904 for the year ended December 31, 2006. This was an increase of \$186,426 or 2.5% from the prior year.

HUD operating grants was \$7,163,046 for the year ended December 31, 2006. This was an increase of \$79,083 or 1.1% over the prior year. Capital contributions for the Commission was \$107,308 for the year ended December 31, 2006. This was a decrease of \$112,765 or 51.2% over the prior year.

Livonia Housing Commission
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$5,607,344 at the close of the year ended December 31, 2006 up from \$5,296,896 in 2005. The increase in net assets of \$310,448 was due to the change in net assets.

The unrestricted net assets were \$1,676,017 as of December 31, 2006. This amount may be used to meet the Commission's ongoing obligations. The Commission had no net assets classified as restricted that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

CONDENSED STATEMENTS OF NET ASSETS
PRIMARY GOVERNMENT
DECEMBER 31

	2006	2005	Dollar Change	Percent Change
Current and other assets	\$ 2,080,017	\$ 1,497,571	\$ 582,446	38.9%
Capital assets	<u>3,931,327</u>	<u>4,136,272</u>	<u>(204,945)</u>	-5.0%
Total Assets	<u>6,011,344</u>	<u>5,633,843</u>	<u>377,501</u>	6.7%
Current liabilities	327,347	265,252	62,095	23.4%
Noncurrent liabilities	<u>76,653</u>	<u>71,695</u>	<u>4,958</u>	6.9%
Total Liabilities	<u>404,000</u>	<u>336,947</u>	<u>67,053</u>	19.9%
Net Assets				
Invested in capital assets	3,931,327	4,136,272	(204,945)	-5.0%
Unrestricted	<u>1,676,017</u>	<u>1,160,624</u>	<u>515,393</u>	44.4%
Total Net Assets	<u>\$ 5,607,344</u>	<u>\$ 5,296,896</u>	<u>\$ 310,448</u>	5.9%

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

As can be seen in the following table on the total revenues and contributions increased by \$27,936 to increases in rental revenue, HUD operating grants and interest income, which were partially offset by decreases in capital contributions and other income.

**Livonia Housing Commission
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued**

FINANCIAL ANALYSIS (CONTINUED)

**CONDENSED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PRIMARY GOVERNMENT
DECEMBER 31**

	<u>2006</u>	<u>2005</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues and Contributions				
Operating - non-operating -capital contributions:				
Rental revenue	\$ 497,906	\$ 481,052	16,854	3.5%
HUD operating grants	7,163,046	7,083,963	79,083	1.1%
Interest income	84,550	30,987	53,563	172.9%
Capital Contributions	107,308	220,073	(112,765)	-51.2%
Other income	50,471	59,270	(8,799)	-14.8%
Total Revenues and Contributions	<u>7,903,281</u>	<u>7,875,345</u>	<u>27,936</u>	0.4%
Expenses				
Personal services	723,311	682,367	40,944	6.0%
Utilities	175,321	165,812	9,509	5.7%
Operations and maintenance	71,702	64,410	7,292	11.3%
Non routine maintenance	2,476	15,504	(13,028)	-84.0%
Insurance	35,252	28,945	6,307	21.8%
Payment in lieu of taxes	19,711	25,552	(5,841)	-22.9%
Other supplies and expenses	210,977	220,327	(9,350)	-4.2%
Housing assistance payments	6,047,901	5,921,775	126,126	2.1%
Depreciation	312,253	287,786	24,467	8.5%
Total Expenses	<u>7,598,904</u>	<u>7,412,478</u>	<u>186,426</u>	2.5%
Change in net assets	304,377	462,867	(158,490)	
Beginning net assets	5,296,896	4,834,029	462,867	
Prior period adjustments	<u>6,071</u>	<u>----</u>	<u>6,071</u>	
Beginning net assets, adjusted	<u>5,302,967</u>	<u>4,834,029</u>	<u>468,938</u>	
Ending net assets	<u>\$ 5,607,344</u>	<u>\$ 5,296,896</u>	<u>\$ 310,448</u>	

Total expenses increased by \$186,426 due to increases in personal services, utilities, operations and maintenance, insurance, housing assistance payment and depreciation, which were partially offset by decreases in non routine maintenance, insurance, payment in lieu of taxes and other supplies and expenses

During fiscal year ended December 31, 2006, Livonia Housing Commission maintained a lease-up rate of 97.2% in its Public Housing Program; a lease-up rate of 99.6% in its Section 8 Voucher program; and a lease-up rate of 99.7% in its Sec. 8 New Construction program. These lease-up rates are well in excess of HUD guidelines.

Livonia Housing Commission
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued

FINANCIAL ANALYSIS (CONTINUED)

Budget Analysis:

A Low Rent Public Housing Operating Budget for fiscal year ended December 31, 2006 was presented to and approved by the Board of Commissioners. Subsequently, we had reason to prepare and present a Budget Revision to the Board and they approved it. Although we had budget overruns in a few select areas, overall actual results were in line with the final budgeted figures.

CAPITAL ASSETS

Capital Assets - The Livonia Housing Commission's investment in capital assets, as of December 31, 2006 amounts to \$3,931,327 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and construction in progress.

CAPITAL ASSETS
NET OF ACCUMULATED DEPRECIATION
PRIMARY GOVERNMENT
DECEMBER 31

	<u>2006</u>	<u>2005</u>	<u>Dollar Change</u>
Land	\$ 308,946	\$ 308,946	\$ ----
Building	5,076,256	5,076,256	----
Furniture, equipment and machinery- dwelling	206,097	170,007	36,090
Furniture, equipment and machinery- administration	405,585	404,935	650
Leasehold improvements	<u>2,218,763</u>	<u>2,150,045</u>	<u>68,718</u>
	8,215,647	8,110,189	105,458
Accumulated depreciation	<u>4,284,320</u>	<u>3,973,917</u>	<u>310,403</u>
Total	<u>\$ 3,931,327</u>	<u>\$ 4,136,272</u>	<u>\$ (204,945)</u>

The total decrease in the Commission's capital assets for the current fiscal year was \$204,945 or 5.0% in terms of net book value. Actual expenditures to purchase equipment and construct capital assets were \$106,808 for the year. The Commission has \$70,281 available in Capital Funds to draw down and spend in the future.

During fiscal year ended December 31, 2006, our Capital Fund Program work projects included:

- Completely upgrade to public housing parking lot and the parking lot lighting at senior buildings.
- Purchased 75 air conditioners and 30 refrigerators.

**Livonia Housing Commission
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued**

COMPONENT UNIT

FINANCIAL HIGHLIGHTS

The term "net assets" refers to the difference between assets and liabilities. The Component Unit's total net assets as of December 31, 2006 were \$56,749. The net assets increased by \$1,873, an increase of 3.3% over the prior year.

Revenues for the Component Unit were \$1,873 for the year ended December 31, 2006. This was an increase of \$809 or 76.0% from the prior year.

The Component Unit had no expenses for the year ended December 31, 2006.

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$56,749 at the close of the year ended December 31, 2006.

The unrestricted net assets were \$56,749 as of December 31, 2006. This amount may be used to meet the Component Unit's ongoing obligations. The Component Unit had no net assets classified as restricted that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Component Unit is able to report positive balances in all categories of net assets.

**CONDENSED STATEMENTS OF NET ASSETS
COMPONENT UNIT
DECEMBER 31**

	<u>2006</u>	<u>2005</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and other assets	\$ 56,749	\$ 54,876	\$ 1,873	3.3%
Total Assets	<u>56,749</u>	<u>54,876</u>	<u>1,873</u>	3.3%
 Total Liabilities	 <u>----</u>	 <u>----</u>	 <u>----</u>	 <u>----</u>
 Net Assets				
Unrestricted	56,749	54,876	1,873	3.3%
Total Net Assets	<u>\$ 56,749</u>	<u>\$ 54,876</u>	<u>\$ 1,873</u>	3.3%

As can be seen in the table on the following page total revenues increased by \$809 which represents an increase in interest income of the Component Unit.

**Livonia Housing Commission
(Unaudited)
Management's Discussion and Analysis (MD&A) - Continued**

FINANCIAL ANALYSIS (CONTINUED)

**CONDENSED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
COMPONENT UNIT
DECEMBER 31**

	<u>2006</u>	<u>2005</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues				
Operating - non-operating:				
Interest income	<u>1,873</u>	<u>1,064</u>	<u>809</u>	76.0%
Total Revenues	<u>1,873</u>	<u>1,064</u>	<u>809</u>	76.0%
Expenses				
Total Expenses	<u>----</u>	<u>----</u>	<u>----</u>	<u>----</u>
Change in net assets	1,873	1,064	809	
Beginning net assets	<u>54,876</u>	<u>53,812</u>	<u>1,064</u>	
Ending net assets	\$ <u>56,749</u>	\$ <u>54,876</u>	\$ <u>1,873</u>	

ENTITY WIDE

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

A fundamental finding of the Harvard Cost Study, upon which new regulations governing both the Operating Subsidy and Asset Management are based, is that Public Housing Agencies have been, and continue to be, underfunded by HUD. Yet, due to the federal budget constraints, HUD continues to only pay a portion of the subsidy that we are entitled to. So, to begin with, the subsidy at full eligibility is considered by the Harvard Cost Study to be insufficient; on top of that, HUD only pays us a portion of that figure.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that we are both financially and operationally in a strong position to continue to provide safe, sanitary, and decent housing to our residents in the future as long as we receive sufficient funding from HUD.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Mr. James M. Inglis, Executive Director, Livonia Housing Commission, 19300 Purlingbrook Road, Livonia, Michigan 48152

LIVONIA HOUSING COMMISSION

Livonia, Michigan

STATEMENT OF NET ASSETS

December 31, 2006

	<u>Primary Government</u>	<u>Component units</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,044,906.19	\$ 56,749.41
Receivable - net of allowances:		
Accounts	2,060.00	----
Prepaid expenses	<u>33,051.00</u>	<u>----</u>
Total Current Assets	<u>2,080,017.19</u>	<u>56,749.41</u>
Noncurrent Assets:		
Capital assets:		
Land, improvements, and construction in progress	308,946.34	----
Other capital assets, net of depreciation	<u>3,622,380.74</u>	<u>----</u>
Total capital assets- net	<u>3,931,327.08</u>	<u>----</u>
Total Noncurrent Assets	<u>3,931,327.08</u>	<u>----</u>
Total Assets	<u>\$ 6,011,344.27</u>	<u>\$ 56,749.41</u>

See notes to financial statements

LIVONIA HOUSING COMMISSION

Livonia, Michigan

STATEMENT OF NET ASSETS (CONTINUED)

December 31, 2006

	<u>Primary Government</u>	<u>Component units</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 289,880.48	\$ -----
Accrued compensated absences	8,516.00	-----
Tenant security deposit liability	28,936.00	-----
Deferred revenues	<u>14.10</u>	<u>-----</u>
Total Current Liabilities	<u>327,346.58</u>	<u>-----</u>
Noncurrent Liabilities:		
Accrued compensated absences	<u>76,653.12</u>	<u>-----</u>
Total Noncurrent Liabilities	<u>76,653.12</u>	<u>-----</u>
Total Liabilities	<u>403,999.70</u>	<u>-----</u>
NET ASSETS		
Invested in capital assets	3,931,327.08	-----
Unrestricted	<u>1,676,017.49</u>	<u>56,749.41</u>
Total Net Assets	<u>5,607,344.57</u>	<u>56,749.41</u>
Total Liabilities and Net Assets	<u>\$ 6,011,344.27</u>	<u>\$ 56,749.41</u>

See notes to financial statements

LIVONIA HOUSING COMMISSION

Livonia, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

For Year Ended December 31, 2006

	Primary Government	Component units
Operating Revenues:		
Rental revenue	\$ 497,906.00	\$ -----
Operating subsidies- HUD grants	7,163,046.00	-----
Other revenues	<u>50,470.95</u>	<u>-----</u>
Total operating revenues	<u>7,711,422.95</u>	<u>-----</u>
Operating Expenses:		
Personal services	723,310.90	-----
Utilities	175,320.60	-----
Operations and maintenance	71,702.15	-----
Non routine maintenance	2,476.00	-----
Insurance	35,252.31	-----
Payment in lieu of taxes	19,711.22	-----
Other supplies and expenses	210,976.65	-----
Housing assistance payments	6,047,901.49	-----
Depreciation	<u>312,252.51</u>	<u>-----</u>
Total operating expenses	<u>7,598,903.83</u>	<u>-----</u>
Operating income (loss)	<u>112,519.12</u>	<u>-----</u>
Non-operatiug revenues (expenses):		
Interest and investment earnings	<u>84,550.56</u>	<u>1,873.88</u>
Net non-operating revenues (expenses)	<u>84,550.56</u>	<u>1,873.88</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	197,069.68	1,873.88
Capital contributions	<u>107,307.95</u>	<u>-----</u>
Change in net assets	304,377.63	1,873.88
Net assets at beginning of year	5,296,895.60	54,875.53
Prior period error corrections	<u>6,071.34</u>	<u>-----</u>
Net assets adjusted at beginning of year	<u>5,302,966.94</u>	<u>54,875.53</u>
Net assets at end of year	<u>\$ 5,607,344.57</u>	<u>\$ 56,749.41</u>

See notes to financial statements

LIVONIA HOUSING COMMISSION

Livonia, Michigan

STATEMENT OF CASH FLOWS

For Year Ended December 31, 2006

	Primary Government	Component units
Cash flows from operating activities:		
Cash received from tenants	\$ 497,711.14	\$ -----
Cash received from HUD grants- operating	7,170,255.00	-----
Cash received from other operating activities	50,470.95	-----
Cash payments for goods and services	(6,388,105.02)	-----
Cash payments to employees-salaries	(604,535.49)	-----
Cash payments for employee benefit contributions	(241,323.04)	-----
Cash payments for in lieu of property taxes	(19,480.50)	-----
Net cash provided (used) by operating activities	<u>464,993.04</u>	<u>-----</u>
Cash flows from capital and related financing activities:		
Capital contributions	112,307.95	-----
Payments for capital assets	(106,807.95)	-----
Net cash (used) for capital and related financing activities	<u>5,500.00</u>	<u>-----</u>
Cash flows from investing activities:		
Interest and dividends	84,550.56	1,873.88
Receipts (payments) from tenant security deposits	(814.00)	-----
Net cash provided (used) from investing activities	<u>83,736.56</u>	<u>1,873.88</u>
Net increase (decrease) in cash and cash equivalents	554,229.60	1,873.88
Cash and cash equivalents at beginning of year	<u>1,490,676.59</u>	<u>54,875.53</u>
Cash and cash equivalents at end of year	<u>\$ 2,044,906.19</u>	<u>\$ 56,749.41</u>
Noncash Investing, Capital and Financing Activities:		
Acquisition of capital assets on account	<u>\$ 1,000.00</u>	<u>\$ -----</u>

See notes to financial statements

LIVONIA HOUSING COMMISSION

Livonia, Michigan

STATEMENT OF CASH FLOWS (CONTINUED)

For Year Ended December 31, 2006

	Primary Government	Component units
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 112,519.12	\$ -----
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	312,252.51	-----
Allowance for doubtful accounts	1,148.00	-----
Changes in assets and liabilities:		
Receivables	(1,313.96)	-----
Prepaid expenses	(33,051.00)	-----
Accounts and other payables	196,014.90	-----
Deferred revenues	(28.90)	-----
Compensated absences	5,507.69	-----
Accrued expenses	<u>(128,055.32)</u>	<u>-----</u>
Net cash provided (used) by operating activities	<u>\$ 464,993.04</u>	<u>\$ -----</u>

See notes to financial statements

LIVONIA HOUSING COMMISSION

Livonia, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS

December 31, 2006

NOTE 1 - Summary of Significant Accounting Policies

The Livonia Housing Commission (Commission) is a non-profit entity established to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

1a. Financial Reporting Entity

The Housing Commission's financial reporting entity comprises the following:

Primary Government:	Housing Commission
Component Unit	Livonia Housing Development Corporation

In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB no 39, "The Financial Reporting Entity," and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists.

Discretely presented component unit:

A discretely presented component unit is an entity that is legally separate from the Commission but for which the Commission is financially accountable, or its relationship with the Commission is such that exclusion would cause the Commission's financial statements to be misleading or incomplete. Such component unit is reported in a separate column to emphasize that they are legally separate from the Commission.

The Component Unit column in the combined financial statements include the financial data of the Livonia Housing Development Corporation. This unit meets the criteria of financial accountability, including appointment of a majority of the component units' governing body, and the Commission's ability to impose its will on the component unit. The component unit is discretely presented in the combined financial statements and is presented in the supplementary data under the title Combining Statements - Component Unit. Funding has been received by the Livonia Housing Development Corporation from interest income. The component unit's primary activities, which are as of and for the year ended December 31, 2006, are reported discretely as a Proprietary Fund Types - Enterprise Fund. Complete financial statements of the individual component unit can be obtained directly from the administrative offices of the Livonia Housing Commission.

LIVONIA HOUSING COMMISSION

Livonia, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2006

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1a. Financial Reporting Entity (Continued)

The purpose for which the component unit is organized is to relieve a shortage of decent, safe and sanitary housing for persons of low income, including elderly, handicapped or disabled persons, in the City of Livonia.

1b. Basis of Presentation

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Commission's programs as an enterprise fund.

Following is a description of the Commission's programs:

Program	Brief Description
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Housing Choice Vouchers	Accounts for activities of the Voucher program which assists very low-income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.
New Construction	Accounts for activities of the New Construction program which assists very low-income families, the elderly, and the disabled to have decent, safe and sanitary housing through the housing assistance payments received by the Housing Commission.
Livonia Housing Development Corporation - Component Unit	To account for the activities of the component unit whose purpose is to relieve a shortage of decent, safe and sanitary housing for persons of low income, including elderly, handicapped or disabled persons, in the City of Livonia.

LIVONIA HOUSING COMMISSION

Livonia, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2006

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1c. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the financial statements, the “economic resources” measurement focus is used as follows:

- ▶ The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

1d. Assets, Liabilities, and Equity

Cash

For the purpose of the Statement of Net Assets, “cash and cash equivalents” includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

LIVONIA HOUSING COMMISSION

Livonia, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2006

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1d. Assets, Liabilities, and Equity (Continued)

Budgets and Budgetary Accounting

The Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

Estimates and Assumptions

The Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$1,000.00 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	15 - 40	years
Furniture, equipment and machinery - dwelling	7	years
Furniture, equipment and machinery - administration	3 - 20	years
Leasehold improvements	7 - 20	years

Compensated Absences

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

LIVONIA HOUSING COMMISSION

Livonia, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2006

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1d. Assets, Liabilities, and Equity (Continued)

Equity Classifications

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Commission had no related debt.
- b. Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

1e. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

Interfund Transfers

For the purposes of the Statement of Revenues, Expenses and Change in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

LIVONIA HOUSING COMMISSION

Livonia, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2006

NOTE 2 - Stewardship, Compliance, and Accountability

The Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Commission's compliance with significant laws and regulations and demonstration of its stewardship over Commission resources follows.

2a. Program Accounting Requirements

The Commission complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Commission are as follows:

Program	Required By
Public and Indian Housing	U.S. Department of Housing and Urban Development
Housing Choice Vouchers	U.S. Department of Housing and Urban Development
Capital Fund Program	U.S. Department of Housing and Urban Development
New Construction	U.S. Department of Housing and Urban Development
Component Unit - Livonia	
Housing Development Corporation	Public Housing Agency

2b. Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of the Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Commission must have a written collateral agreement. As reflected in Note 3a., all deposits were fully insured or collateralized.

Investments of the Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

2c. Revenue Restrictions

The Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<i>Revenue Source</i>	<i>Legal Restrictions of Use</i>
Capital Fund Program	Modernization

For the year ended December 31, 2006, the Commission complied, in all material respects, with these revenue restrictions.

LIVONIA HOUSING COMMISSION

Livonia, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2006

NOTE 3 - Detail Notes on Transaction Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3a. Cash

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it or the Commission will not be able to recover collateral securities in the possession of an outside party. As of December 31, 2006, the Commission's bank balances of \$2,065,683.29, were insured by federal depository insurance or collateralized with securities held by the pledging financial institutions in the Commission's name and the component unit's bank balances of \$56,749.41, were insured by federal depository insurance.

3b. Accounts Receivable

Receivables detail at December 31, 2006, is as follows:

Tenant accounts receivable	\$ 3,208.00
Allowance for doubtful accounts	<u>(1,148.00)</u>
Tenants accounts receivable - net	\$ <u><u>2,060.00</u></u>

LIVONIA HOUSING COMMISSION

Livonia, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2006

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3c. Capital Assets

Capital asset activity for the year ended December 31, 2006, was as follows:

	<u>Balance January 1, 2006</u>	<u>Additions</u>	<u>(Retirements)</u>	<u>Balance December 31, 2006</u>
Land	\$ 308,946.34	\$ ----	\$ ----	\$ 308,946.34
Building	5,076,255.99	----	----	5,076,255.99
Furniture, equipment and machinery- dwelling	170,007.26	36,090.00	----	206,097.26
Furniture, equipment and machinery- administration	404,934.49	2,500.00	(1,849.68)	405,584.81
Leasehold improvements	<u>2,150,045.14</u>	<u>68,717.95</u>	<u>----</u>	<u>2,218,763.09</u>
	8,110,189.22	<u>\$ 107,307.95</u>	<u>\$ (1,849.68)</u>	8,215,647.49
Accumulated depreciation	<u>3,973,917.58</u>	<u>\$ 312,252.51</u>	<u>\$ (1,849.68)</u>	<u>4,284,320.41</u>
Total	<u>\$ 4,136,271.64</u>			<u>\$ 3,931,327.08</u>

3d. Accounts Payable

Payable detail at December 31, 2006, is as follows:

Accounts payable - vendors	\$ 239,204.17
Accounts payable - HUD	15,566.00
Accounts payable - other government - PILOT	19,711.22
Accrued liabilities - other	<u>15,399.09</u>
	<u>\$ 289,880.48</u>

3e. Compensated Absences

Accumulated unpaid compensated absences are accrued. The liability for compensated absences at December 31, 2006 is \$85,169.12.

LIVONIA HOUSING COMMISSION

Livonia, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2006

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3f. Non-current Liabilities

As of December 31, 2006, the non-current liabilities are comprised of the following:

Accrued compensated absences - non current portion	\$ <u>76,653.12</u>
Total	\$ <u><u>76,653.12</u></u>

The following is a summary of changes in non-current liabilities for the year ended December 31, 2006:

	<u>Balance December 31, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2006</u>	<u>Amounts Due within One Year</u>
Accrued compensated absences	\$ <u>71,695.31</u>	\$ <u>4,957.81</u>	\$ <u>----</u>	\$ <u>76,653.12</u>	\$ <u>8,516.00</u>
Total	\$ <u><u>71,695.31</u></u>	\$ <u><u>4,957.81</u></u>	\$ <u><u>----</u></u>	\$ <u><u>76,653.12</u></u>	\$ <u><u>8,516.00</u></u>

3g. Interprogram Transactions and Balances

Interprogram Receivable/Payable

Public and Indian Housing - Low Rent	\$ 229,083.54
Housing Choice Vouchers	(480,387.01)
New Construction	<u>251,303.47</u>
Total	\$ <u><u>----</u></u>

3h. Unrestricted net assets - Prior-period Error Corrections

Following is the composite of error corrections:

1. PILOT liability - correct prior PILOT liability	\$ <u>6,071.34</u>
Totals	\$ <u><u>6,071.34</u></u>

LIVONIA HOUSING COMMISSION

Livonia, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2006

NOTE 4 - Other Notes

4a. Employee Retirement Plan

Defined Contribution Plan: The Commission has also provided a defined contribution plan. The defined contribution plan is available to all full-time employees not already participating in another plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, investment earnings, and forfeitures of other participants' benefits that may be allocated to such participant's account. Benefits vest after four years of service. The Commission contributed a percentage of covered payroll based on employee hire date. The Commission contributes 12% for those employees hired prior to March 31, 1997 and 7% for those employees hired on or after April 1, 1997.

For the year ended December 31, 2006, the following amounts related to the defined contribution plan:

Commission total payroll	\$ 476,480.17
Payroll for covered employees	\$ 476,480.17
Employer (Commission) contributions made	\$ 42,152.79

4b. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Commission manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Torts, errors and omissions	Purchased insurance with Housing Authority Risk Retention Group.
b. Injuries to employees (workers' compensation)	Insured through the City of Livonia
c. Physical property loss and natural disasters	Purchased commercial insurance with \$2,500 deductibles.
d. Health and life	Health coverage insured through the City of Livonia; Life insurance is provided by Great West.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

LIVONIA HOUSING COMMISSION

Livonia, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

December 31, 2006

NOTE 4 - Other Notes (Continued)

4c. Commitments and Contingencies

Commitments—Construction

At December 31, 2006, the Commission had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
CFP 501-05	\$ <u>181,009.00</u>	\$ <u>110,727.95</u>
	\$ <u><u>181,009.00</u></u>	\$ <u><u>110,727.95</u></u>

Contingencies

The Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

LIVONIA HOUSING COMMISSION

Livonia, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM

December 31, 2006

	<u>Low Rent Program</u>	<u>Housing Choice Vouchers</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 297,696.39	\$ 1,747,209.80
Receivable - net of allowances:		
Accounts	2,060.00	-----
Due from (to) interprogram	229,083.54	(480,387.01)
Prepaid expenses	<u>26,336.00</u>	<u>6,715.00</u>
Total Current Assets	<u>555,175.93</u>	<u>1,273,537.79</u>
Noncurrent Assets:		
Capital assets:		
Land, improvements, and construction in progress	308,946.34	-----
Other capital assets, net of depreciation	<u>3,509,803.71</u>	<u>8,368.08</u>
Total capital assets- net	<u>3,818,750.05</u>	<u>8,368.08</u>
Total Noncurrent Assets	<u>3,818,750.05</u>	<u>8,368.08</u>
Total Assets	<u>\$ 4,373,925.98</u>	<u>\$ 1,281,905.87</u>

LIVONIA HOUSING COMMISSION

Livonia, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

December 31, 2006

	<u>Low Rent Program</u>	<u>Housing Choice Vouchers</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 169,510.76	\$ 103,803.72
Accrued compensated absences	6,048.00	1,654.00
Tenant security deposit liability	28,936.00	----
Deferred revenues	<u>14.10</u>	<u>----</u>
Total Current Liabilities	<u>204,508.86</u>	<u>105,457.72</u>
Noncurrent Liabilities:		
Accrued compensated absences	<u>54,436.73</u>	<u>14,884.54</u>
Total Noncurrent Liabilities	<u>54,436.73</u>	<u>14,884.54</u>
Total Liabilities	<u>258,945.59</u>	<u>120,342.26</u>
NET ASSETS		
Invested in capital assets	3,818,750.05	8,368.08
Unrestricted	<u>296,230.34</u>	<u>1,153,195.53</u>
Total Net Assets	<u>4,114,980.39</u>	<u>1,161,563.61</u>
Total Liabilities and Net Assets	<u>\$ 4,373,925.98</u>	<u>\$ 1,281,905.87</u>

LIVONIA HOUSING COMMISSION

Livonia, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

December 31, 2006

	New Construction Program	Capital Fund Program
ASSETS		
Current Assets:		
Due from (to) interprogram	\$ 251,303.47	\$ -----
Total Current Assets	<u>251,303.47</u>	<u>-----</u>
Noncurrent Assets:		
Capital assets:		
Other capital assets, net of depreciation	-----	104,208.95
Total capital assets- net	<u>-----</u>	<u>104,208.95</u>
Total Noncurrent Assets	<u>-----</u>	<u>104,208.95</u>
Total Assets	<u>\$ 251,303.47</u>	<u>\$ 104,208.95</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 16,566.00	\$ -----
Accrued compensated absences	<u>814.00</u>	<u>-----</u>
Total Current Liabilities	<u>17,380.00</u>	<u>-----</u>
Noncurrent Liabilities:		
Accrued compensated absences	<u>7,331.85</u>	<u>-----</u>
Total Noncurrent Liabilities	<u>7,331.85</u>	<u>-----</u>
Total Liabilities	<u>24,711.85</u>	<u>-----</u>
NET ASSETS		
Invested in capital assets	-----	104,208.95
Unrestricted	<u>226,591.62</u>	<u>-----</u>
Total Net Assets	<u>226,591.62</u>	<u>104,208.95</u>
Total Liabilities and Net Assets	<u>\$ 251,303.47</u>	<u>\$ 104,208.95</u>

LIVONIA HOUSING COMMISSION

Livonia, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

December 31, 2006

	<u>Primary Government</u>	<u>Component units</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,044,906.19	\$ 56,749.41
Receivable - net of allowances:		
Accounts	2,060.00	----
Prepaid expenses	<u>33,051.00</u>	<u>----</u>
Total Current Assets	<u>2,080,017.19</u>	<u>56,749.41</u>
Noncurrent Assets:		
Capital assets:		
Land, improvements, and construction in progress	308,946.34	----
Other capital assets, net of depreciation	<u>3,622,380.74</u>	<u>----</u>
Total capital assets- net	<u>3,931,327.08</u>	<u>----</u>
Total Noncurrent Assets	<u>3,931,327.08</u>	<u>----</u>
Total Assets	<u><u>\$ 6,011,344.27</u></u>	<u><u>\$ 56,749.41</u></u>

LIVONIA HOUSING COMMISSION

Livonia, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

December 31, 2006

	<u>Primary Government</u>	<u>Component units</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 289,880.48	\$ -----
Accrued compensated absences	8,516.00	-----
Tenant security deposit liability	28,936.00	-----
Deferred revenues	<u>14.10</u>	<u>-----</u>
Total Current Liabilities	<u>327,346.58</u>	<u>-----</u>
Noncurrent Liabilities:		
Accrued compensated absences	<u>76,653.12</u>	<u>-----</u>
Total Noncurrent Liabilities	<u>76,653.12</u>	<u>-----</u>
Total Liabilities	<u>403,999.70</u>	<u>-----</u>
NET ASSETS		
Invested in capital assets	3,931,327.08	-----
Unrestricted	<u>1,676,017.49</u>	<u>56,749.41</u>
Total Net Assets	<u>5,607,344.57</u>	<u>56,749.41</u>
Total Liabilities and Net Assets	<u>\$ 6,011,344.27</u>	<u>\$ 56,749.41</u>

LIVONIA HOUSING COMMISSION

Livonia, Michigan

**COMBINING STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN FUND NET ASSETS BY PROGRAM**

For Year Ended December 31, 2006

	<u>Low Rent Program</u>	<u>Housing Choice Vouchers</u>
Operating Revenues:		
Rental revenue	\$ 497,906.00	\$ -----
Operating subsidies- HUD grants	205,177.00	6,029,311.00
Other revenues	<u>40,016.42</u>	<u>10,454.53</u>
Total operating revenues	<u>743,099.42</u>	<u>6,039,765.53</u>
Operating Expenses:		
Personal services	380,237.05	309,662.88
Utilities	175,320.60	-----
Operations and maintenance	71,702.15	-----
Non routine maintenance	2,476.00	-----
Insurance	26,490.27	8,762.04
Payment in lieu of taxes	19,711.22	-----
Other supplies and expenses	40,473.71	164,722.94
Housing assistance payments	-----	5,197,543.49
Depreciation	<u>298,658.35</u>	<u>10,495.16</u>
Total operating expenses	<u>1,015,069.35</u>	<u>5,691,186.51</u>
Operating income (loss)	<u>(271,969.93)</u>	<u>348,579.02</u>
Non-operating revenues (expenses):		
Interest and investment earnings	<u>13,059.85</u>	<u>71,490.71</u>
Net non-operating revenues (expenses)	<u>13,059.85</u>	<u>71,490.71</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	(258,910.08)	420,069.73
Change in net assets	(258,910.08)	420,069.73
Net assets at beginning of year	4,148,968.75	741,493.88
Prior period error corrections	<u>6,071.34</u>	<u>-----</u>
Net assets adjusted at beginning of year	4,155,040.09	741,493.88
Equity transfers	<u>218,850.38</u>	<u>-----</u>
Net assets at end of year	<u>\$ 4,114,980.39</u>	<u>\$ 1,161,563.61</u>

LIVONIA HOUSING COMMISSION

Livonia, Michigan

**COMBINING STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN FUND NET ASSETS BY PROGRAM (CONTINUED)**

For Year Ended December 31, 2006

	New Construction Program	Capital Fund Program
Operating Revenues:		
Operating subsidies- HUD grants	\$ 925,138.00	\$ 3,420.00
Total operating revenues	<u>925,138.00</u>	<u>3,420.00</u>
Operating Expenses:		
Personal services	33,410.97	-----
Other supplies and expenses	2,360.00	3,420.00
Housing assistance payments	850,358.00	-----
Depreciation	<u>-----</u>	<u>3,099.00</u>
Total operating expenses	<u>886,128.97</u>	<u>6,519.00</u>
Operating income (loss)	<u>39,009.03</u>	<u>(3,099.00)</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	39,009.03	(3,099.00)
Capital contributions	<u>-----</u>	<u>107,307.95</u>
Change in net assets	39,009.03	104,208.95
Net assets at beginning of year	187,582.59	218,850.38
Equity transfers	<u>-----</u>	<u>(218,850.38)</u>
Net assets at end of year	<u>\$ 226,591.62</u>	<u>\$ 104,208.95</u>

LIVONIA HOUSING COMMISSION

Livonia, Michigan

**COMBINING STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN FUND NET ASSETS BY PROGRAM (CONTINUED)**

For Year Ended December 31, 2006

	Primary Government	Component units
Operating Revenues:		
Rental revenue	\$ 497,906.00	\$ -----
Operating subsidies- HUD grants	7,163,046.00	-----
Other revenues	50,470.95	-----
Total operating revenues	<u>7,711,422.95</u>	<u>-----</u>
Operating Expenses:		
Personal services	723,310.90	-----
Utilities	175,320.60	-----
Operations and maintenance	71,702.15	-----
Non routine maintenance	2,476.00	-----
Insurance	35,252.31	-----
Payment in lieu of taxes	19,711.22	-----
Other supplies and expenses	210,976.65	-----
Housing assistance payments	6,047,901.49	-----
Depreciation	312,252.51	-----
Total operating expenses	<u>7,598,903.83</u>	<u>-----</u>
Operating income (loss)	<u>112,519.12</u>	<u>-----</u>
Non-operating revenues (expenses):		
Interest and investment earnings	<u>84,550.56</u>	<u>1,873.88</u>
Net non-operating revenues (expenses)	<u>84,550.56</u>	<u>1,873.88</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	197,069.68	1,873.88
Capital contributions	<u>107,307.95</u>	<u>-----</u>
Change in net assets	304,377.63	1,873.88
Net assets at beginning of year	5,296,895.60	54,875.53
Prior period error corrections	<u>6,071.34</u>	<u>-----</u>
Net assets adjusted at beginning of year	<u>5,302,966.94</u>	<u>54,875.53</u>
Net assets at end of year	<u>\$ 5,607,344.57</u>	<u>\$ 56,749.41</u>

LIVONIA HOUSING COMMISSION

Livonia, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM

For Year Ended December 31, 2006

	Low Rent Program	Housing Choice Vouchers
Cash flows from operating activities:		
Cash received from tenants	\$ 497,711.14	\$ -----
Cash received from HUD grants- operating	205,177.00	6,029,311.00
Cash received from other operating activities	40,016.42	10,454.53
Cash payments for goods and services	(243,473.49)	(5,288,493.53)
Cash payments to employees-salaries	(322,768.87)	(258,561.62)
Cash payments for employee benefit contributions	(128,834.50)	(103,206.54)
Cash payments for in lieu of property taxes	(19,480.50)	-----
Net cash provided (used) by operating activities	<u>28,347.20</u>	<u>389,503.84</u>
Cash flows from noncapital financing activities:		
Receipts (payments) from interprograms	<u>(32,487.00)</u>	<u>80,129.00</u>
Net cash provided (used) from non capital financing activities	<u>(32,487.00)</u>	<u>80,129.00</u>
Cash flows from capital and related financing activities:		
Receipts (payments) from interprograms	<u>5,000.00</u>	<u>-----</u>
Net cash (used) for capital and related financing activities	<u>5,000.00</u>	<u>-----</u>
Cash flows from investing activities:		
Interest and dividends	13,059.85	71,490.71
Receipts (payments) from tenant security deposits	<u>(814.00)</u>	<u>-----</u>
Net cash provided (used) from investing activities	<u>12,245.85</u>	<u>71,490.71</u>
Net increase (decrease) in cash and cash equivalents	13,106.05	541,123.55
Cash and cash equivalents at beginning of year	<u>284,590.34</u>	<u>1,206,086.25</u>
Cash and cash equivalents at end of year	<u>\$ 297,696.39</u>	<u>\$ 1,747,209.80</u>

LIVONIA HOUSING COMMISSION

Livonia, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended December 31, 2006

	<u>Low Rent Program</u>	<u>Housing Choice Vouchers</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (271,969.93)	\$ 348,579.02
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	298,658.35	10,495.16
Allowance for doubtful accounts	1,148.00	-----
Changes in assets and liabilities:		
Receivables	(1,313.96)	-----
Prepaid expenses	(26,336.00)	(6,715.00)
Accounts and other payables	99,555.96	89,249.94
Deferred revenues	(28.90)	-----
Compensated absences	2,707.77	1,875.95
Accrued expenses	<u>(74,074.09)</u>	<u>(53,981.23)</u>
Net cash provided (used) by operating activities	\$ <u>28,347.20</u>	\$ <u>389,503.84</u>

LIVONIA HOUSING COMMISSION

Livonia, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended December 31, 2006

	New Construction Program	Capital Fund Program
Cash flows from operating activities:		
Cash received from HUD grants- operating	\$ 932,347.00	\$ 3,420.00
Cash payments for goods and services	(852,718.00)	(3,420.00)
Cash payments to employees-salaries	(23,205.00)	----
Cash payments for employee benefit contributions	(9,282.00)	----
Net cash provided (used) by operating activities	<u>47,142.00</u>	<u>----</u>
Cash flows from noncapital financing activities:		
Receipts (payments) from interprograms	(47,642.00)	----
Net cash provided (used) from non capital financing activities	<u>(47,642.00)</u>	<u>----</u>
Cash flows from capital and related financing activities:		
Capital contributions	----	112,307.95
Receipts (payments) from interprograms	----	(5,000.00)
Payments for capital assets	500.00	(107,307.95)
Net cash (used) for capital and related financing activities	<u>500.00</u>	<u>----</u>
Net increase (decrease) in cash and cash equivalents	----	----
Cash and cash equivalents at beginning of year	----	----
Cash and cash equivalents at end of year	\$ <u>----</u>	\$ <u>----</u>
Noncash Investing, Capital and Financing Activities:		
Acquisition of capital assets on account	\$ <u>1,000.00</u>	\$ <u>----</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 39,009.03	\$ (3,099.00)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	----	3,099.00
Changes in assets and liabilities:		
Accounts and other payables	7,209.00	----
Compensated absences	923.97	----
Net cash provided (used) by operating activities	<u>\$ 47,142.00</u>	<u>\$ ----</u>

LIVONIA HOUSING COMMISSION

Livonia, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended December 31, 2006

	Primary Government	Component units
Cash flows from operating activities:		
Cash received from tenants	\$ 497,711.14	\$ -----
Cash received from HUD grants- operating	7,170,255.00	-----
Cash received from other operating activities	50,470.95	-----
Cash payments for goods and services	(6,388,105.02)	-----
Cash payments to employees-salaries	(604,535.49)	-----
Cash payments for employee benefit contributions	(241,323.04)	-----
Cash payments for in lieu of property taxes	<u>(19,480.50)</u>	<u>-----</u>
Net cash provided (used) by operating activities	<u>464,993.04</u>	<u>-----</u>
Cash flows from capital and related financing activities:		
Capital contributions	112,307.95	-----
Payments for capital assets	<u>(106,807.95)</u>	<u>-----</u>
Net cash (used) for capital and related financing activities	<u>5,500.00</u>	<u>-----</u>
Cash flows from investing activities:		
Interest and dividends	84,550.56	1,873.88
Receipts (payments) from tenant security deposits	<u>(814.00)</u>	<u>-----</u>
Net cash provided (used) from investing activities	<u>83,736.56</u>	<u>1,873.88</u>
Net increase (decrease) in cash and cash equivalents	554,229.60	1,873.88
Cash and cash equivalents at beginning of year	<u>1,490,676.59</u>	<u>54,875.53</u>
Cash and cash equivalents at end of year	<u>\$ 2,044,906.19</u>	<u>\$ 56,749.41</u>
Noncash Investing, Capital and Financing Activities:		
Acquisition of capital assets on account	<u>\$ 1,000.00</u>	<u>\$ -----</u>

LIVONIA HOUSING COMMISSION

Livonia, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended December 31, 2006

	<u>Primary Government</u>	<u>Component units</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 112,519.12	\$ -----
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	312,252.51	-----
Allowance for doubtful accounts	1,148.00	-----
Changes in assets and liabilities:		
Receivables	(1,313.96)	-----
Prepaid expenses	(33,051.00)	-----
Accounts and other payables	196,014.90	-----
Deferred revenues	(28.90)	-----
Compensated absences	5,507.69	-----
Accrued expenses	<u>(128,055.32)</u>	<u>-----</u>
Net cash provided (used) by operating activities	<u>\$ 464,993.04</u>	<u>\$ -----</u>

LIVONIA HOUSING COMMISSION

Livonia, Michigan

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
NOTES TO THE SCHEDULE OF FEDERAL AWARDS**

Year Ended December 31, 2006

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Fiscal Year</u>	<u>Federal Grantor</u>	<u>Federal CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Low Income Public Housing Major - Direct Program</u>		
2006	New Construction	14.182	\$ <u>886,128.97</u>
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2006	Low Rent Program	14.850a	\$ <u>205,177.00</u>
	<u>Low Income Public Housing Major - Direct Program</u>		
2006	Housing Choice Vouchers	14.871	\$ <u>6,029,311.00</u>
	<u>Public and Indian Housing Nonmajor - Direct Program</u>		
2006	Capital Fund program	14.872	\$ <u>110,727.95</u>
	Total		\$ <u>7,231,344.92</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1 - Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

LIVONIA HOUSING COMMISSION

Livonia, Michigan

**PHA'S STATEMENT AND CERTIFICATION OF
CAPITAL FUND PROGRAM COSTS**

December 31, 2006

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-04</u>
Funds approved	\$ 220,073.00
Funds expended	<u>220,073.00</u>
Excess of Funds Approved	\$ <u>-----</u>
Funds advanced	\$ 220,073.00
Funds expended	<u>220,073.00</u>
Excess (deficiency) of Funds Advanced	\$ <u>-----</u>

2. The costs as shown on the Actual Cost Certificate dated January 13, 2006 submitted to HUD for approval is in agreement with the PHA's records as of December 31, 2006.
3. All costs have been paid and all related liabilities have been discharged through payments.

LIVONIA HOUSING COMMISSION

Livonia, Michigan

FINANCIAL DATA SCHEDULE

Year Ended December 31, 2006

FDS Line Item No.		Low Rent Program 14.850a	Housing Choice Vouchers 14.871
	Assets:		
	Current Assets:		
	Cash		
111	Cash-unrestricted	\$ 268,760.39	\$ 1,747,209.80
114	Cash-tenant security deposits	28,936.00	-----
100	Total cash	297,696.39	1,747,209.80
	Accounts and notes receivable:		
126	Accounts receivable- tenants-dwelling rents	3,208.00	-----
126.1	Allowance for doubtful accounts-dwelling rents	(1,148.00)	-----
120	Total receivables, net of allowance for doubtful accounts	2,060.00	-----
142	Prepaid expenses and other assets	26,336.00	6,715.00
144/			
(347)	Interprogram due from	229,083.54	(480,387.01)
150	Total current assets	555,175.93	1,273,537.79
	Noncurrent Assets:		
	Fixed assets:		
161	Land	308,946.34	-----
162	Buildings	5,076,255.99	-----
163	Furniture, equipment and machinery-dwellings	170,007.26	-----
164	Furniture, equipment and machinery-administration	285,732.27	117,352.54
165	Leasehold improvements	2,150,045.14	-----
166	Accumulated depreciation	(4,172,236.95)	(108,984.46)
160	Total fixed assets, net of accumulated depreciation	3,818,750.05	8,368.08
180	Total noncurrent assets	3,818,750.05	8,368.08
190	Total Assets	\$ 4,373,925.98	\$ 1,281,905.87

LIVONIA HOUSING COMMISSION

Livonia, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2006

FDS Line Item No.		Low Rent Program 14.850a	Housing Choice Vouchers 14.87I
	Liabilities and Equity:		
	Liabilities:		
	Current Liabilities:		
312	Accounts payable < 90 days	\$ (134,400.45)	\$ (103,803.72)
322	Accrued compensated absences- current portion	(6,048.00)	(1,654.00)
333	Accounts payable -other government	(19,711.22)	----
341	Tenant security deposits	(28,936.00)	----
342	Deferred revenues	(14.10)	----
346	Accrued liabilities-other	<u>(15,399.09)</u>	<u>----</u>
310	Total current liabilities	<u>(204,508.86)</u>	<u>(105,457.72)</u>
	Noncurrent Liabilities:		
354	Accrued compensated absences- non current portion	<u>(54,436.73)</u>	<u>(14,884.54)</u>
350	Total noncurrent liabilities	<u>(54,436.73)</u>	<u>(14,884.54)</u>
300	Total liabilities	<u>(258,945.59)</u>	<u>(120,342.26)</u>
	Equity:		
508.1	Investment in capital assets , Net of Related Debt	<u>(3,818,750.05)</u>	<u>(8,368.08)</u>
512.1	Unrestricted Net Assets	<u>(296,230.34)</u>	<u>(1,153,195.53)</u>
600	Total Liabilities and Equity	<u>\$ (4,373,925.98)</u>	<u>\$ (1,281,905.87)</u>

LIVONIA HOUSING COMMISSION

Livonia, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2006

FDS Line Item No.		Low Rent Program 14.850a	Housing Choice Vouchers 14.871
	Revenue:		
703	Net rental revenue	\$ (489,301.00)	\$ -----
704	Tenant revenue-other	<u>(9,753.00)</u>	<u>-----</u>
705	Total tenant revenue	<u>(499,054.00)</u>	<u>-----</u>
706	HUD PHA operating grants	(205,177.00)	(6,029,311.00)
711	Investment income-unrestricted	(13,059.85)	(71,490.71)
714	Fraud recovery	-----	(9,863.28)
715	Other revenue	<u>(40,016.42)</u>	<u>(591.25)</u>
700	Total revenue	<u>(757,307.27)</u>	<u>(6,111,256.24)</u>
	Expenses:		
	Administrative		
911	Administrative salaries	108,658.15	204,580.39
912	Auditing fees	3,405.00	2,525.00
914	Compensated absences	2,707.77	1,875.95
915	Employee benefit contributions-administrative	56,687.00	103,206.54
916	Other operating-administrative	35,225.70	161,836.64
	Tenant services		
921	Tenant services-salaries	43,389.39	-----
923	Employee benefit contributions-tenant services	21,901.50	-----
924	Tenant services-other	1,843.01	-----
	Utilities		
931	Water	19,736.12	-----
932	Electricity	75,194.43	-----
933	Gas	80,390.05	-----

LIVONIA HOUSING COMMISSION

Livonia, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2006

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Housing Choice Vouchers <u>14.871</u>
	Ordinary maintenance and operation		
941	Ordinary maintenance and operation-labor	96,647.24	-----
942	Ordinary maintenance and operation-materials & other	13,628.09	-----
943	Ordinary maintenance and operation-contract costs	58,074.06	-----
945	Employee benefit contributions-ordinary maintenance	50,246.00	-----
	General expenses		
961	Insurance premiums	26,490.27	8,762.04
962	Other general expense	-----	361.30
963	Payments in lieu of taxes	19,711.22	-----
964	Bad debts- tenant rents	<u>1,148.00</u>	<u>-----</u>
969	Total operating expenses	<u>715,083.00</u>	<u>483,147.86</u>
970	Excess (deficit) operating revenue over operating expenses	<u>42,224.27</u>	<u>5,628,108.38</u>
971	Extraordinary maintenance	2,476.00	-----
973	Housing assistance payments	-----	5,197,543.49
974	Deprcciation expense	<u>298,658.35</u>	<u>10,495.16</u>
	Total expenses other than total operating	<u>301,134.35</u>	<u>5,208,038.65</u>
	Excess (deficit) of revenue over expenses		
1000	before operating transfers in (out) and depreciation add back	<u>(258,910.08)</u>	<u>420,069.73</u>
	Excess (deficit) of revenue over expenses after operating transfers in (out) and depreciation add back	\$ <u>(258,910.08)</u>	\$ <u>420,069.73</u>

LIVONIA HOUSING COMMISSION

Livonia, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2006

FDS Line Item No.		New Construction Program 14.182	Capital Fund Program 14.872
	Assets:		
	Current Assets:		
144/ (347)	Interprogram due from	\$ 251,303.47	\$ -----
150	Total current assets	251,303.47	-----
	Noncurrent Assets:		
	Fixed assets:		
163	Furniture, equipment and machinery-dwellings	-----	36,090.00
164	Furniture, equipment and machinery-administration	-----	2,500.00
165	Leasehold improvements	-----	68,717.95
166	Accumulated depreciation	-----	(3,099.00)
160	Total fixed assets, net of accumulated depreciation	-----	104,208.95
180	Total noncurrent assets	-----	104,208.95
190	Total Assets	\$ 251,303.47	\$ 104,208.95
	Liabilities and Equity:		
	Liabilities:		
	Current Liabilities:		
312	Accounts payable < 90 days	\$ (1,000.00)	\$ -----
322	Acerued compensated absences- current portion	(814.00)	-----
331	Accounts payable -HUD PHA programs	(15,566.00)	-----
310	Total current liabilities	(17,380.00)	-----
	Noncurrent Liabilities:		
354	Accrued compensated absences- non current portion	(7,331.85)	-----
350	Total noncurrent liabilities	(7,331.85)	-----
300	Total liabilities	(24,711.85)	-----

LIVONIA HOUSING COMMISSION

Livonia, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2006

FDS Line Item No.		New Construction Program 14.182	Capital Fund Program 14.872
	Equity:		
508.1	Investment in capital assets , Net of Related Debt	-----	(104,208.95)
512.1	Unrestricted Net Assets	(226,591.62)	-----
600	Total Liabilities and Equity	\$ (251,303.47)	\$ (104,208.95)
	Revenue:		
706	HUD PHA operating grants	\$ (925,138.00)	\$ (3,420.00)
706.1	HUD PHA capital grants	-----	(107,307.95)
700	Total revenue	(925,138.00)	(110,727.95)
	Expenses:		
	Administrative		
911	Administrative salaries	23,205.00	-----
912	Auditing fees	400.00	-----
914	Compensated absences	923.97	-----
915	Employee benefit contributions-administrative	9,282.00	-----
916	Other operating-administrative	1,960.00	3,420.00
969	Total operating expenses	35,770.97	3,420.00
970	Excess (deficit) operating revenue over operating expenses	889,367.03	107,307.95
973	Housing assistance payments	850,358.00	-----
974	Depreciation expense	-----	3,099.00
	Total expenses other than total operating	850,358.00	3,099.00
1000	Excess (deficit) of revenue over expenses before operating transfers in (out) and depreciation add back	39,009.03	104,208.95
	Excess (deficit) of revenue over expenses after operating transfers in (out) and depreciation add back	\$ 39,009.03	\$ 104,208.95

LIVONIA HOUSING COMMISSION

Livonia, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2006

FDS Line Item No.		Primary Government	Component units -
	Assets:		
	Current Assets:		
	Cash		
111	Cash-unrestricted	\$ 2,015,970.19	\$ 56,749.41
114	Cash-tenant security deposits	28,936.00	-----
100	Total cash	2,044,906.19	56,749.41
	Accounts and notes receivable:		
126	Accounts receivable- tenants-dwelling rents	3,208.00	-----
126.1	Allowance for doubtful accounts-dwelling rents	(1,148.00)	-----
120	Total receivables, net of allowance for doubtful accounts	2,060.00	-----
142	Prepaid expenses and other assets	33,051.00	-----
150	Total current assets	2,080,017.19	56,749.41
	Noncurrent Assets:		
	Fixed assets:		
161	Land	308,946.34	-----
162	Buildings	5,076,255.99	-----
163	Furniture, equipment and machinery-dwellings	206,097.26	-----
164	Furniture, equipment and machinery-administration	405,584.81	-----
165	Leasehold improvements	2,218,763.09	-----
166	Accumulated depreciation	(4,284,320.41)	-----
160	Total fixed assets, net of accumulated depreciation	3,931,327.08	-----
180	Total noncurrent assets	3,931,327.08	-----
190	Total Assets	\$ 6,011,344.27	\$ 56,749.41

LIVONIA HOUSING COMMISSION

Livonia, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2006

FDS Line Item No.		Primary Government	Component units -
	Liabilities and Equity:		
	Liabilities:		
	Current Liabilities:		
312	Accounts payable < 90 days	\$ (239,204.17)	\$ -----
322	Accrued compensated absences- current portion	(8,516.00)	-----
331	Accounts payable -HUD PHA programs	(15,566.00)	-----
333	Accounts payable -other government	(19,711.22)	-----
341	Tenant security deposits	(28,936.00)	-----
342	Deferred revenues	(14.10)	-----
346	Accrued liabilities-other	<u>(15,399.09)</u>	<u>-----</u>
310	Total current liabilities	<u>(327,346.58)</u>	<u>-----</u>
	Noncurrent Liabilities:		
354	Accrued compensated absences- non current portion	<u>(76,653.12)</u>	<u>-----</u>
350	Total noncurrent liabilities	<u>(76,653.12)</u>	<u>-----</u>
300	Total liabilities	<u>(403,999.70)</u>	<u>-----</u>
	Equity:		
508.1	Investment in capital assets , Net of Related Debt	<u>(3,931,327.08)</u>	<u>-----</u>
512.1	Unrestricted Net Assets	<u>(1,676,017.49)</u>	<u>(56,749.41)</u>
600	Total Liabilities and Equity	<u>\$ (6,011,344.27)</u>	<u>\$ (56,749.41)</u>

LIVONIA HOUSING COMMISSION

Livonia, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2006

FDS Line Item No.		Primary Government	Component units -
	Revenue:		
703	Net rental revenue	\$ (489,301.00)	\$ -----
704	Tenant revenue-other	<u>(9,753.00)</u>	<u>-----</u>
705	Total tenant revenue	<u>(499,054.00)</u>	<u>-----</u>
706	HUD PHA operating grants	(7,163,046.00)	-----
706.1	HUD PHA capital grants	(107,307.95)	-----
711	Investment income-unrestricted	(84,550.56)	(1,873.88)
714	Fraud recovery	(9,863.28)	-----
715	Other revenue	<u>(40,607.67)</u>	<u>-----</u>
700	Total revenue	<u>(7,904,429.46)</u>	<u>(1,873.88)</u>
	Expenses:		
	Administrative		
911	Administrative salaries	336,443.54	-----
912	Auditing fees	6,330.00	-----
914	Compensated absences	5,507.69	-----
915	Employee benefit contributions-administrative	169,175.54	-----
916	Other operating-administrative	202,442.34	-----
	Tenant services		
921	Tenant services-salaries	43,389.39	-----
923	Employee benefit contributions-tenant services	21,901.50	-----
924	Tenant services-other	1,843.01	-----
	Utilities		
931	Water	19,736.12	-----
932	Electricity	75,194.43	-----
933	Gas	80,390.05	-----

LIVONIA HOUSING COMMISSION

Livonia, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended December 31, 2006

FDS Line Item No.		Primary Government	Component units -
	Ordinary maintenance and operation		
941	Ordinary maintenance and operation-labor	96,647.24	----
942	Ordinary maintenance and operation-materials & other	13,628.09	----
943	Ordinary maintenance and operation-contract costs	58,074.06	----
945	Employee benefit contributions-ordinary maintenance	50,246.00	----
	General expenses		
961	Insurance premiums	35,252.31	----
962	Other general expense	361.30	----
963	Payments in lieu of taxes	19,711.22	----
964	Bad debts- tenant rents	1,148.00	----
969	Total operating expenses	<u>1,237,421.83</u>	----
970	Excess (deficit) operating revenue over operating expenses	<u>6,667,007.63</u>	<u>1,873.88</u>
971	Extraordinary maintenance	2,476.00	----
973	Housing assistance payments	6,047,901.49	----
974	Depreciation expense	<u>312,252.51</u>	----
	Total expenses other than total operating	<u>6,362,630.00</u>	----
1000	Excess (deficit) of revenue over expenses before operating transfers in (out) and depreciation add back	<u>304,377.63</u>	<u>1,873.88</u>
	Excess (deficit) of revenue over expenses after operating transfers in (out) and depreciation add back	<u>\$ 304,377.63</u>	<u>\$ 1,873.88</u>

Khan & Co. LLC

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

Board of Commissioners
Livonia Housing Commission
Livonia, Michigan

We have audited the basic financial statements of the Livonia Housing Commission, Michigan, (Commission) and its aggregated discretely presented component unit as of and for the year ended December 31, 2006, and have issued our report thereon dated March 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Commission's internal control.

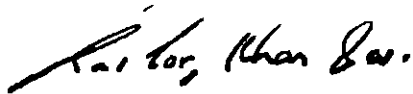
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs.

The Commission's written response to the significant deficiencies identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and uses of management, the Board of Commissioners, others within the Commission, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Sailor, Khan & Co. LLC
March 21, 2007

Khan & Co. LLC**Report on Compliance with Requirements Applicable to Each Major Program and
Internal Control over Compliance in Accordance with OMB Circular A-133**

Board of Commissioners
Livonia Housing Commission
Livonia, Michigan

Compliance

We have audited the compliance of the Livonia Housing Commission, Michigan, (Commission) and its aggregated discretely presented component unit, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Commission compliance with those requirements.

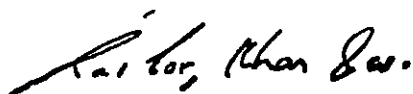
In our opinion, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006. The results of our auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Commission's internal control, which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Livonia Housing Commission, Michigan's management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Sailor, Khan & Co. LLC

March 21, 2007

LIVONIA HOUSING COMMISSION

Livonia, Michigan

SIGNIFICANT DEFICIENCIES COMMUNICATED IN PRIOR YEARS

December 31, 2006

The prior audit report for the year ended December 31, 2005 contained no audit findings.

LIVONIA HOUSING COMMISSION

Livonia, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2006

SECTION I - SUMMARY OF AUDITOR RESULTS

Financial Statement:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- ▶ Material weakness(es) identified? No
- ▶ Reportable condition(s) identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? No

Is a "going concern" explanatory paragraph included in audit report? No

Federal Awards:

Internal control over major programs:

- ▶ Material weakness(es) identified? No
- ▶ Reportable condition(s) identified that are not considered to be material weaknesses? None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) on Circular A-133? No

Identification of major programs:

CFDA	
Number(s)	Name of Federal Program
14-182	Section 8 New Construction
14-871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

LIVONIA HOUSING COMMISSION

Livonia, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

December 31, 2006

SECTION II - FINANCIAL STATEMENT FINDINGS

The current audit report for the year ended December 31, 2006 disclosed the following Financial Statement audit findings:

1. Segregation of Duties

Criteria:

To ensure effectiveness of Internal Control, there needs to be an adequate division of duties among those who perform accounting procedures or control activities and those who handle assets. Although it is a basic key internal control and one of the most difficult to achieve, it must be considered and addressed in an effective manner to strengthen the control environment.

Condition:

Although it may be difficult to effect segregation of duties due to the smaller size of the Commission, we noted that mitigating or compensating controls were not designed to reduce the risk of errors or irregularities.

Questioned Costs:

none

Effect:

With the existence of adequate segregation of duties, there is the reduced risk of error and other intentional activities that could affect the integrity of the financial statements or physical custody of assets.

Cause:

The size of the organization was primarily the reason for the lack of segregation of duties.

Recommendation:

We recommend that the Commission's management and its Board design a system of internal control that would address all of the features of an effective internal control system with due consideration to the limitations imposed on the system.

LIVONIA HOUSING COMMISSION

Livonia, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

December 31, 2006

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

1. Segregation of Duties (Continued)

Management's Response/Action Plan:

The Livonia Housing Commission recognizes the importance and effectiveness of establishing internal controls and the division of duties of those who perform accounting functions and handle assets. The Livonia Housing Commission is a small agency with limited staff which is problematic in re-assigning accounting and financial duties and responsibilities. The Commission will in conjunction with the Board of Commissioners and our Fee Accountant establish compensating controls, cross checks and checks and balances to insure that assets and payables functions are segregated to the extent possible to identify errors and assure that assets are secure and there are no misrepresentations of financial statements. The 2006 audit was unqualified and no costs were questioned. The Executive Director will be responsible for developing policies and procedures to effectuate the segregation of duties.

LIVONIA HOUSING COMMISSION

Livonia, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

December 31, 2006

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

2. Financial Statements

Criteria:

The Commission is responsible for establishing and maintaining controls over the preparation of the financial statements.

Condition

We believe the Commission did not have controls over the preparation of the financial statements, including footnote disclosures, to prevent or detect a misstatement in the financial statements.

Questioned Costs:

none

Effect:

As a result, potential misstatements in the financial statements may go undetected.

Cause:

The size of the organization was primarily the reason for the lack of systematic controls over the preparation of the financial statements.

Recommendation:

We recommend that the Commission take steps to establish a system of controls over financial reporting to prevent or detect misstatements in the financial statements.

Management's Response/Action Plan:

The Livonia Housing Commission is responsible for fair and proper presentation of financial statements in accordance with Generally Acceptable Accounting Principals and related accounting standards. As it relates to federal Sarbanes-Oxley legislation the Housing Commission Board of Commissioners, Executive Director and Fee Accountant shall establish internal controls, reporting checklists and strengthen internal information systems which support the accuracy of the accounting and financial statements. The Livonia Housing Commission will coordinate with the Fee Accountant procedures and controls to support the Housing Commission information systems thereby improving the operating effectiveness of the Commission. The 2006 audit was unqualified and no costs were questioned. The Executive Director will be responsible for developing the policies to resolve this issue.

LIVONIA HOUSING COMMISSION

Livonia, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

December 31, 2006

SECTION III - FEDERAL AWARD FINDINGS

The current audit report for the year ended December 31, 2006 disclosed no Federal Awards audit findings.